



Homeland Security

April 6, 2012

MEMORANDUM FOR: Public Financial Disclosure Filers

FROM: Joseph B. Maher 
Designated Agency Ethics Official
Principal Deputy General Counsel

SUBJECT: Stop Trading on Congressional Knowledge Act of 2012 (STOCK Act)

On April 4, 2012, the President signed into law the Stop Trading on Congressional Knowledge Act of 2012 (commonly referred to as the "Stock Act"). This law changes the financial and job search reporting obligations for most Executive Branch employees who file the Public Financial Disclosure report (OGE 278) and provides for increased public access to OGE 278 reports.

The STOCK Act is focused on ensuring that Executive Branch employees (as well as Members and employees of Congress and Judicial Branch employees) do not use non-public information, to which they have access because of their government positions, as a means for making a private profit. The Act affirms that federal employees are subject to the insider trading prohibitions of the securities laws. The Act also amends the Ethics in Government Act of 1978 to increase transparency in financial disclosure reporting.

Discussion

You should be aware of the key provisions—some which take effect immediately—that apply to employees who file OGE 278 reports. We will be receiving guidance on the implementation of the provisions of the STOCK Act from the Office of Government Ethics in the near future. The Act includes the following requirements with which OGE 278 filers must comply:

- **EFFECTIVE IMMEDIATELY**: A signed statement must be filed with your component Ethics Office *within three business days* of commencing negotiations or entering into an agreement for "future employment or compensation." The statement must identify the name of the private entity or entities involved in the negotiations or agreement, and it must state the date that such negotiations or agreement commenced. When the negotiations or agreement create a conflict of interest, or an appearance of a conflict of interest, the employee must recuse himself or herself and notify the Department's ethics office of the recusal.
- **EFFECTIVE IMMEDIATELY**: The financial disclosure reporting requirements exempt reporting on mortgage liabilities secured by real property that is a personal residence. The STOCK Act removes that exception for a limited group of specified individuals, including Senate-confirmed Presidential Appointees and members of the uniformed services in pay

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grades 0-7 or above. This reporting requirement applies to this year's annual financial disclosure report.

- EFFECTIVE IMMEDIATELY: Certain officials may not purchase securities that are the subject of an initial public offering on terms that are not available to members of the public.
- EFFECTIVE 90 DAYS FROM APRIL 4, 2012: Covered transactions in securities (such as, stocks and bonds) must be reported within 30 days of the transaction. For example, if a senior executive in the Department executes a stock trade (a sale or purchase) valued at more than \$1,000, she must report that transaction to the Ethics Office. Covered transactions do not include certain widely held investment funds, such as diversified mutual funds.
- EFFECTIVE AUGUST 31, 2012: The Act requires that the Department make available on its website the OGE 278 reports. Those reports must be made available within 30 days of when the employees' file them with the Ethics Office. The public disclosure of these forms must also include a disclosure of any extensions provided for the disclosure deadline. The reports of covered transactions, described above, along with any extensions to the reporting deadline, must be made available electronically on the website.

We will advise you of the legal and procedural requirements established by Office of Government Ethics implementing guidance. In the interim, your component ethics counselors can assist with specific questions regarding the required reports for job negotiations and agreements and with any other questions.

Contact information for component ethics counselors:

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